USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/26/2006

GAIN Report Number: JA6703

Japan

Cotton and Products

Annual Cotton Report

2006

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Report Highlights:
Total imports of raw cotton into Japan in MY 2005/06 are expected at 148,000 metric tons, down 17% from the previous year. The U.S. market share in 2005/06 is expected to account for 33% of Japan's total cotton imports, followed by Australia's 22% and Brazil's 20%. While Japan's total imports of raw cotton have declined in CY 2005, total imports of goods made of cotton such as underwear have increased slightly by 0.9% during the same period.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Osaka ATO [JA3]
[JA]

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Executive Summary

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Japan's total domestic consumption of cotton products stayed the same. The decrease of imports of raw cotton from the U.S., Australia and Brazilin MY 2005/06 will not likely offset the slight increase of imports made by the rest of the countries. The decline of the total raw cotton imports to Japan is expected to continue due to changes in imports of goods made of cotton.

Japanese economy has shown every sign of recovery as the unemployment rate in February 2006 went down to 4.1% from 5.4% in 2002, and profit rates of large private companies have been increasing. Furthermore, wages and consumption have also been showing a steady sign of recovery. Estimated (in December 2005) annual growth of Japanese GDP in 2005 was up 2.7%. However, not so bright side of the story is that Japan's economy has not been completely out deflation, and the disparity between rich and poor has been widening.

Production

There is no major production of cotton reported in Japan.

Consumption

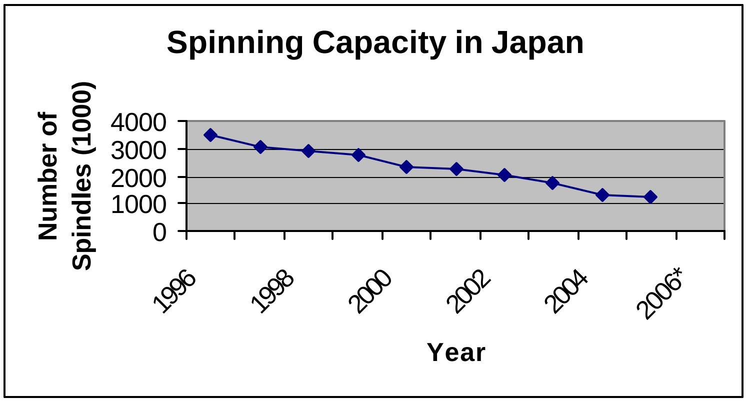
Japanese consumption of raw cotton in MY 2005/06 is expected to be 100,500 metric tons, down 14% from the previous year. Japanese production of cotton goods (yarn, fabric, etc.) in CY 2005 was 91,932 metric tons, down 11% from the 2004 level. Japanese export of cotton goods (yarn, fabric, etc.) was 89,515 metric tons in CY 2005, also down 13% from the previous year. Japanese production of synthetic fiber goods was down 12% in CY 2005. These figures indicate a decline in consumption of cotton and synthetic fiber products in spite of Japan's overall economic recovery. However, the consumption of goods made of cotton in the retail market has been recovering. Japan's imports of goods made of cotton in CY 2005 were 692.2 metric tons, up 1% from the previous year. This trend is expected to continue.

Japanese spinning Capacity

(Figure 1)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
No. of Spindles (1000)	3513	3082	2917	2758	2327	2222	2030	1779	1300	1217	1200
No. of Average (1000)	3030	2751	2577	2333	2079	1857	1637	1463	1153	1058	1030
Number of Mills	73	65	63	60	54	52	48	43	37	37	37
Capacity Utilization (%)	82.3	86.6	85.5	83.6	85.4	83.7	78	77.4	83.9	86.9	86

Source: Japan Spinners association
* as of January 2006



Japanese Cotton Goods Supply and Demand
(1,000 Metric Tons Yarn Equivalent)
Calendar Year

Figure 2

	2001	2002	2003	2004	2005
Beginning Stocks	116	107	94	91	90
Production	139	122	107	103	92
Imports	829	794	845	862	854
Total Supply	1,084	1,023	1,046	1,056	1,036
Exports	83	93	93	103	89
Domestic Consumption	894	836	863	864	862
Ending Stocks	107	94	91	90	84
Total Disappearance	1,084	1,023	1,047	1,057	1,035

Source: Japan Spinners Association
The total Supply and Disappearance might not be equal due to the round off.

Japanese Synthetic Fiber Goods Supply Demand
(1,000 Metric Tons Yarn Equivalent)

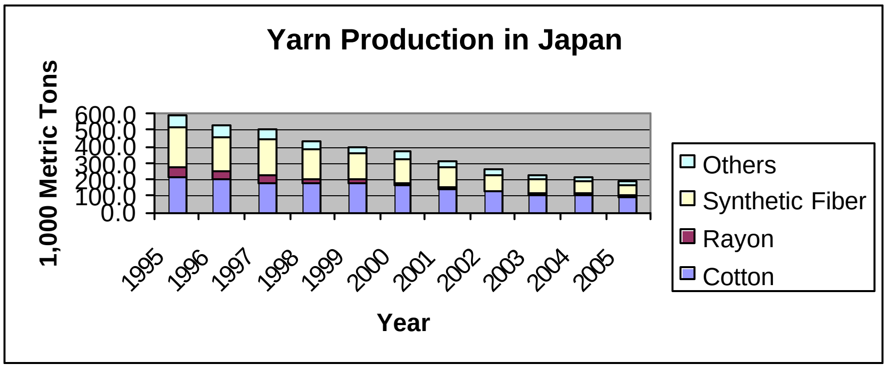
Figure 3

	2001	2002	2003	2004	2005
Beginning Stocks	70	61	53	47	42
Production	123	95	87	78	66
Imports	383	358	406	416	416
Total Supply	576	514	546	541	524
Exports	38	37	38	42	40
Domestic Consumption	477	424	461	458	446
Ending Stocks	61	53	47	42	38
Total Disappearance	601	576	514	546	542

Source: Japan Spinners Association
The total Supply and Disappearance might not be equal due to the round off.

Yarn Production in Japan
Figure 4

	Cotton	Rayon	Synthetic Fiber	Others	Total
1995	215.0	57.0	239.8	74.6	586.4
1996	195.8	48.8	216.2	66.8	527.6
1997	183.5	43.1	214.5	64.3	505.4
1998	173.4	31.0	177.1	49.6	431.1
1999	171.0	25.1	158.7	45.7	400.5
2000	158.8	22.3	146.6	37.7	365.4
2001	139.5	18.2	122.6	31.8	312.1
2002	122.2	12.1	95.5	28.1	257.9
2003	107.5	11.6	87.3	23.0	229.4
2004	103.3	10.8	78.4	20.5	213.0
2005	91.9	10.0	65.8	16.4	184.1



Trade
Total imports of raw cotton into Japan in MY 2005/06 are estimated at 148,000 metric tons, down 17% from the previous year. The United States is expected to supply about 33% of the total or 49,000 metric tons. Australia's market share is estimated at around 22% in MY 2005/06. Brazilian market share is estimated at around 20% in MY 2005/06, up 1% from the previous year. Total imports of raw cotton in Japan in MY 2006/07 are estimated at 140,000 metric tons, about 5% less than the MY 2005/06 level. The U.S. market share is expected to be around 34% in MY 2006/07.

Cotton farms in Sacramento that have been growing Acala variety are converting their cotton-growing fields to grow almonds and pistachios. In addition, short crop of Acala is expected due to the wet and cool weather in California during the cotton-growing season. For this reason, the demand for Acala cotton might not be met this year. Australian Acala is competing with that of the U.S. in the Japanese market, but fiber strength of Australian Acala is inferior to that of the U.S. Japanese industry people prefer the U.S. Acala.
Market price of U.S. cotton has been declining. The average prices of California cotton and Texas cotton in CY 2005 was $0.68 per pound (down 6.5% from the previous year,) and $0.56 per pound (down 8.5% from the previous year) respectively. In general, the average price of California cotton is about 21% higher than that of Texas.

Japanese imports of cotton yarn in CY 2005 have decreased by 12% compared with the year ago level. Imports of cotton fabric in CY 2005 also were down by 1% from the previous year.

Japanese imports of goods made of cotton in CY 2005 were 692.2 metric tons, up 0.9% from the previous year.

Extra-Long Staples (ELS) Cotton Imports into Japan
(Metric Tons)
August-July Marketing Year

Figure 5

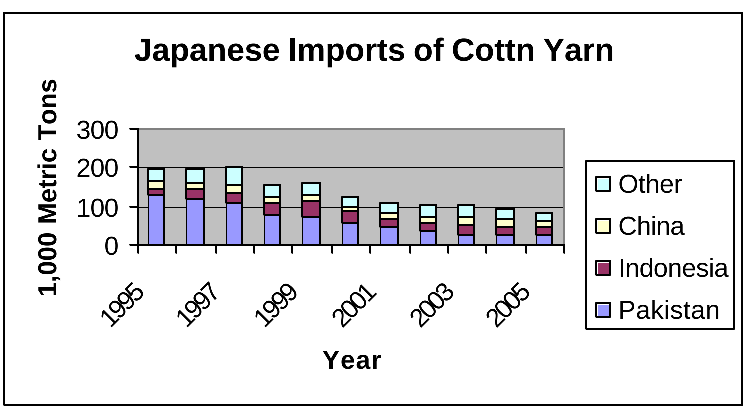
	2003/04	2004/05	2005/06	2006/07
U.S.A.	15,200	16,000	10,000	13,000
Egypt	4,400	2,500	2,600	2,600
Sudan	400	500	700	700
Other	900	3,000	7,000	1,300
Total	20,900	22,000	14,000	15,000

Source: Japan Cotton Traders' Association
Supima Association

Japanese Imports of Cotton Yarn
(Metric Tons)

Figure 6

	Total	Pakistan	Indonesia	China	Other
1995	198.9	128.0	15.5	20.7	34.7
1996	198.1	120.5	22.6	18.0	37.0
1997	202.0	107.6	27.0	22.9	44.5
1998	155.0	78.2	29.0	17.5	30.3
1999	160.7	74.8	37.4	17.2	31.3
2000	124.3	59.4	26.8	12.3	25.8
2001	110.8	44.1	23.7	14.7	28.3
2002	102.7	35.0	21.8	17.8	28.1
2003	104.2	27.0	24.0	23.0	30.2
2004	94.5	24.9	20.6	21.6	27.4
2005	83.0	28.0	17.4	14.8	22.8

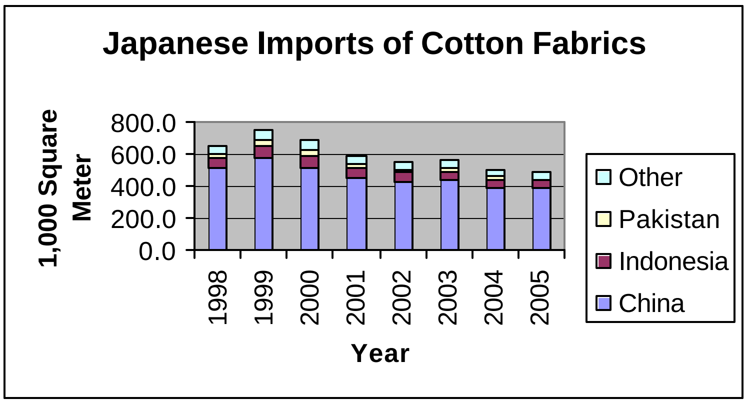


Japanese Imports of Cotton Fabrics (1,000 Square Meters)

Figure 7

	China	Indonesia	Pakistan	Other	Total
1998	516.9	52.3	30.4	50.5	650.1
1999	569.1	81.1	43.0	51.1	744.3
2000	515.1	75.6	33.8	62.3	686.8
2001	445.0	70.0	25.6	50.4	591.0
2002	428.4	55.0	20.8	45.4	549.6
2003	432.0	57.4	27.9	47.6	564.9
2004	383.8	52.4	26.1	43.6	505.9
2005	387.9	50.1	19.3	43.7	501.0

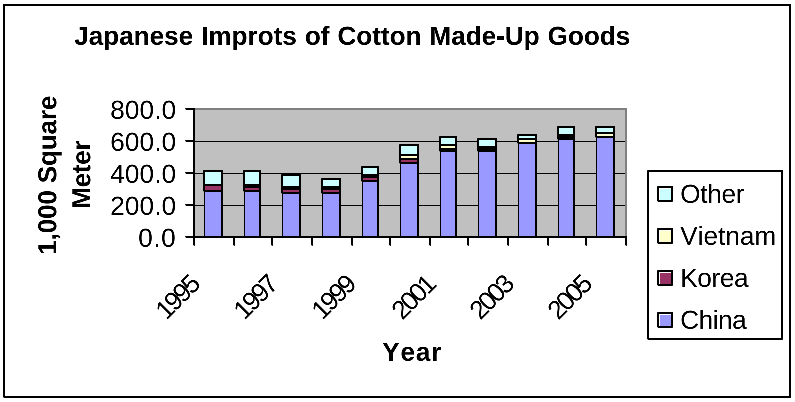
Source: Japan Spinners' Association



Japanese Imports of Cotton Made-Up Goods (1,000 Metric Tons)

Figure 8

	China	Korea	Vietnam	Other	Total
1995	290.0	29.6	9.9	87.4	416.9
1996	293.4	22.9	11.4	80.7	408.4
1997	280.0	15.9	14.6	71.8	382.3
1998	280.0	17.8	13.4	57.0	368.2
1999	348.3	20.5	14.7	55.7	439.2
2000	468.0	20.5	18.6	70.9	578.0
2001	535.5	18.9	18.2	53.9	626.5
2002	537.7	11.7	16.9	45.9	612.2
2003	582.7	8.3	18.2	26.0	635.2
2004	615.3	7.5	19.8	42.8	685.4
2005	622.9	6.3	21.6	41.4	692.2



Stocks
Ending stock of raw cotton in MY 2005/06 is estimated at 27,500 metric tons, which is roughly equivalent to 3-month consumption.

Policy
There is no particular policy to report.

Marketing
According to the Japan Spinners Association, the termination of Step 2 would have little impact on Japanese imports of U.S. cotton, as the price increase due to the ruling will be marginal.

Cotton Council International (CCI) has been continuing the promotion of U.S. cotton among spinners, apparel makers, retailers and consumers in strategic manner. Although Japanese consumption of raw cotton has been declining, imports of goods made of cotton have been increasing. CCI's strategy on the East Asia region is the triangle trade. That is, CCI has been targeting China as one of the major importing countries of U.S. raw cotton, as Japan imports 80% of goods made of cotton from China. U.S. raw cotton is processed in China into "goods made of cotton." As Japanese apparel makers globalize, they have decision-making powers for raw cotton to be used for their products. CCI has been continuing to work closely with them to provide "Cotton USA" logo to their products that are made in China.

CCI has been conducting large-scale promotional campaigns with 2,000 retail stores throughout Japan. They have established May 10 as " the Cotton Day" in Japan, and are planning to hold a special cotton promotional campaign in the Kanto area by using newspaper advertisement and posters at major Japan Railway (JR) stations. In addition to the 2,000 retail stores, AEON, the largest retail group, has been promoting California cotton by attaching the U.S. cotton logo on products. AEON is one of the leading companies to endorse and adopt the traceability program, which requires identifying names of cotton farmers and cotton farm locations.

Post agrees with CCI's strategy for using a concept of the triangle trade and the cotton promotion activities in Japan.

PSD Table

PSD Table

Country Japan

Commodity Cotton

(HECTARES)(MT)

	2004 USDA Official [Old]	Revised Post Estimate [New]	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]	UOM
Market Year Begin		08/2004		08/2005		08/2006	MM/YYYY
Area Planted	0	0	0	0	0	0	(HECTARES)
Area Harvested	0	0	0	0	0	0	(HECTARES)
Beginning Stocks	30699	47400	30699	35000	25256	27500	(MT)
Production	0	0	0	0	0	0	(MT)
Imports	177447	150000	152409	148000	0	140000	(MT)
MY Imp. from U.S.	0	0	0	49000	0	47000	(MT)
TOTAL SUPPLY	208146	197400	183108	183000	25256	167500	(MT)
Exports	0	0	0	0	0	0	(MT)
USE Dom. Consumption	177447	120000	157852	100500	0	95500	(MT)
Loss Dom. Consumption	0	30000	0	55000	0	54000	(MT)
TOTAL Dom. Consumption	177447	150000	157852	155500	0	149500	(MT)
Ending Stocks	30699	47400	25256	27500	0	18000	(MT)
TOTAL DISTRIBUTION	208146	197400	183108	183000	0	167500	(MT)